

EXHIBIT 78

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CC: Blair Thomas; Kurt Talbot; Simon Hayden; Hoshnav Patel; Emiliano Vovard
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Subject: Sete Brasil

My last board meeting lasted six hours, and there's definitely a new sheriff in town:

- 1) At the last board meeting Ferraz and co's severance package had been approved. Initially it envisioned one up-front payment, but at the very end a couple of the directors wanted to tie the "IPO Bonus," (which represents about half the compensation) to an actual liquidity event. A small committee of the board was tasked with presenting this to the three individuals in question, and needless to say, that idea was rejected, and a "counter proposal" to keep the payment up front was submitted to the board. Newton, the President, held a vote and initially the result went their way (11 in favor, two against (Petrobras and Previ), and one abstention (Carneiro himself – I would have done the same thing in his shoes). Heber, from Petrobras, insisted that we all be given an opportunity to change our vote, because he knew that;
- 2) A bomb was coming. The highlight (or low point) of the meeting was a two hour, or so, presentation by Carneiro that painted a pretty dire picture of Sete Brasil, clearly establishing a bleak contrast with the generally upbeat status reports we had received under the old regime, to wit:
 - a. Physical progress: EAS, Rio Grande and Enseada continued to perform under plan. This was no surprise: the new more worrisome news was that Sete management is now more concerned about Rio Grande than EAS, where the new Japanese JV partners are beginning to have an impact. At Rio Grande, on the other hand, they are about to go bankrupt, which could seriously impact the delivery schedule on the three drillships under their responsibility. Enseada, with Kawasaki as a partner, is also viewed to be able to recover. The two foreign-owned companies, Jurong and Brasfels, continue to perform above plan;
 - b. As a result of above-mentioned shortfalls, many of the drillships, particularly the early ones, now face some serious delays in delivery and commissioning on behalf of Petrobras. The average delay for all 29 drillships is 4.1 months, and due to the buffer between delivery and commissioning, the average delay on the latter falls to 1.7 months. More worrisome, the two drillships expected to be delivered in 2015 (Arpoador and Urca), are now expected to be delivered in February, 2016. The four drillships/semi-subs to be delivered in 2016 are now expected to suffer delays of between nine and ten months. The picture improves thereafter.
 - c. There continue to be contractual issues with the operators, who have identified certain "deal-breaker" issues in their contracts with Sete, such as cross-defaults, the decrease in leverage from 80% to 75%, the contingency reserve account of \$22 MM per drillship foreseen in the contracts between Sete and Petrobras, etc.... If agreements aren't reached, the onus will fall on the existing shareholders.
 - d. Capex: due to the delays mentioned above, there will be additional capex requirements of \$523 MM to cover the "construction management agreements," longer insurance requirements and an average cost of \$4MM/month of pre-commissioning costs per drillship.
 - e. Uptime Premises: the original base case foresaw 94% uptime for the first batch (of 7) drillships in the first year, improving to 95% from the second year onwards; for the second batch, uptimes were projected at 95% and 96%, respectively. The "average" downtime in the Campos basin for new ships entering operations in 2012 was 10.42% in 2012, 7.31% in 2013, and 6.47% in 2014. Clearly the learning curve may be steeper than originally envisioned.
 - f. IRR – when one factors in all the negatives outlined above, the base case IRR falls from the already reduced 12.92% from 14.5% (due to higher financing costs) to 9.9%: 2% is eaten by the lower uptime estimates, 0.3% by the delays in delivery and commissioning, and 0.7% by the higher capex that will have to be funded by the shareholders. Remember, in Brazil these numbers are always quoted in real terms, not nominal, so it isn't quite as negative as it seems, depending on your views on the real/dollar exchange rate.

I can't blame Carneiro for doing this, and I would probably have done the same thing in his shoes: my read is that

much of the above is true, and will be an ongoing challenge, but clearly he's trying to paint the bleakest picture possible to lower all our expectations, and hopefully, be able to show some positive results going forward. Amazingly, after this presentation, Newton re-opened the severance vote for the departing directors, and everyone reaffirmed their earlier vote except Banco Santander, which was enough to tip the balance to a "no" on the counter-proposal, which will now be presented to Ferraz and co. Let's hope they don't decide to take the company to court..... (that wouldn't be terribly smart because they would cause the up-front cash portion to also be held up, which for Ferraz is close to R\$ 5MM). In any case, we were not able to put this issue behind us today, which is too bad.

One final note: the company will now begin looking for the R\$ 3 billion of new equity needed to complete the project, and no one believes they will be able to go to market, especially after today's presentation. So, they want to appoint a bank to look for a few (three ideally) new investors to bridge the gap. Clearly some of us may decide to exercise our pre-emptive rights, but I believe there will be a significant shortfall. ACTION: Would we be interested in helping with this endeavor through some of our LP's?

Any questions, please let me know.

Thanks, Kevin



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